

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

April 30, 2004

The Honorable Village President
Members of the Board of Trustees
Village of Barrington, Illinois

We have audited the accompanying basic financial statements of the Village of Barrington, Illinois as of and for the year ended December 31, 2003, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Village of Barrington, Illinois' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Village of Barrington, Illinois as of December 31, 2003, and the results of its operations and the cash flows of its business type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund schedules, as well as the information listed as supplemental and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Barrington, Illinois. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Village of Barrington, Illinois
April 30, 2004

The Management's Discussion and Analysis and the other required supplementary information listed in the accompanying table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

The introductory and statistical information listed in the table of contents was not audited by us and, accordingly, we do not express an opinion thereon.

LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Our discussion and analysis of the Village of Barrington's financial performance provides an overview of the Village's financial activities for the fiscal year ended December 31, 2003. Please read it in conjunction with the transmittal letter on pages i - x and the Village's financial statements, which begin on page 19. This is the first year that the Village is applying the Governmental Accounting Standards Board Statement Number 34 (GASB #34). Therefore, comparative data for the prior year is not available. In future years a comparative analysis of government-wide data will be presented.

Financial Highlights

- The Village's net assets, which equal total assets minus total liabilities, were \$73,201,222 at the end of the 2003 fiscal year. Unrestricted assets, assets that may be used to meet the Village's ongoing obligations to residents and creditors, were \$19,022,630 at the end of the 2003 fiscal year.
- At the end of fiscal year 2003, Governmental Activities included \$47,887,865 in net assets and \$13,222,296 in unrestricted assets. Business-Type Activities included \$25,313,357 in net assets and \$5,800,334 in unrestricted assets.
- Revenues for Governmental Activities equaled \$15,066,159 in 2003 and exceeded total expenses of \$13,875,666 by \$1,190,493. Revenues for Business-Type Activities equaled \$5,499,391 in 2003 and were exceeded by total expenses of \$5,595,316 by \$95,925.
- The fund balance for the General Fund equaled \$11,107,779, an increase of \$347,508 from the beginning balance of \$10,760,271. Of the total fund balance, \$6,667,886 (57.41% of 2003 expenditures) is unreserved and can be used to meet the Village's ongoing obligations to residents and creditors.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 19 - 21) provide information about the activities of the Village of Barrington as a whole and present a longer-term view of the Village's finances. Fund financial statements begin on page 22. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operation in more detail than the government-wide statements by providing information about the Village's most significant funds. The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Using this Annual Report (Continued)

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Village of Barrington's finances, in a manner similar to a private-sector business. The government wide financial statements can be found on pages 19 - 21 of this report.

The Statement of Net Assets reports information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the Village's property tax base and the condition of the Village's roads, is needed to assess the overall financial and operating health of the Village.

The Statement of Activities presents information demonstrating the changes in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-Type Activities). The Governmental Activities of the Village include general government, public safety, public works, and building and planning. The Business-Type Activities of the Village include waterworks and sewerage, recycling and refuse, and parking operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Barrington, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Using This Annual Report (Continued)

Governmental Funds (Continued)

of the fiscal year. Such information may be useful in evaluating the Village's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for Governmental Activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Projects Fund, and the TIF Redevelopment Fund all of which are considered major funds. The Village adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22 - 25 of this report.

Proprietary Funds

The Village of Barrington maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as Business-Type Activities in the government-wide financial statements. The Village utilizes enterprise funds to account for its waterworks and sewerage, recycling and refuse, and parking operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions.

The Village uses internal service funds to account for its fleet of vehicles and equipment as well as its Information Systems services and equipment. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waterworks and Sewerage Fund and for the Parking Fund, both of which are considered to be major funds of the Village.

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Using This Annual Report (Continued)

Proprietary Funds (Continued)

The Recycling and Refuse Fund is not included in the government-wide financial statements because it is considered a non-major fund. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 26 - 29 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village of Barrington's own programs. The accounting use for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 30 - 31 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 - 74 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village of Barrington's Illinois Municipal Retirement Fund, police, and firefighters employee pension obligations. Required supplementary information can be found on pages 75 - 95 of this report. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 96 - 135 of this report.

Government Wide Financial Analysis

Net assets serve as a useful indicator of a government's financial position. The following tables (Table 1 and Table 2) illustrate the Village of Barrington's Net Assets, which equaled \$73,201,222 for the fiscal year ended December 31, 2003.

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Government Wide Financial Analysis (Continued)

Table 1: Net Assets			
Fiscal Year Ended December 31, 2003			
	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$23,338,716	\$7,812,961	\$31,151,677
Capital Assets	39,744,856	25,078,426	64,823,282
Total Assets	63,083,572	32,891,387	95,974,959
Long-Term Debt Outstanding	8,840,000	5,969,432	14,809,432
Other Liabilities	6,355,707	1,608,598	7,964,305
Total Liabilities	15,195,707	7,578,030	22,773,737
Net Assets			
Invested in Capital Assets, Net of Debt	30,393,483	18,805,523	49,199,006
Restricted	4,272,086	707,500	4,979,586
Unrestricted (Deficit)	13,222,296	5,800,334	19,022,630
Total Net Assets	\$47,887,865	\$25,313,357	\$73,201,222

The Village's net assets are composed of capital assets, restricted assets, and unrestricted assets. Capital assets comprise 67.21% of net assets and reflect Village investments in capital assets and infrastructure (for example, land, streets, buildings, machinery, and equipment), less any related debt used to acquire those assets that remains outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net assets (approximately 6.8% of net assets) represents resources that are subject to external restrictions on how they may be used. The remaining 25.99% of assets, or \$19,022,630, represent unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

Net assets for Village Governmental Activities increased by \$1,190,493 in 2003, from a beginning total of \$46,697,372 to an ending total of \$47,887,865. Unrestricted net assets, the portion of net assets that can be used to finance day-to-day operations without constraints, equaled \$13,222,296 at the end of 2003.

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Government Wide Financial Analysis (Continued)

Restricted Assets for Governmental Activities equaled \$4,272,086 and Capital Assets and Infrastructure equaled \$30,393,483 at the end of 2003.

Table 2: Changes in Net Assets Fiscal Year Ended December 31, 2003			
	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	\$ 4,174,884	\$ 4,755,127	\$ 8,930,011
Operating Grants/Contributions	382,823	-	382,823
Capital Grants/Contributions	181,824	471,620	653,444
General Revenues			-
Property Taxes	3,096,200	-	3,096,200
Sales Taxes	4,520,109	-	4,520,109
Other Taxes	2,105,412	-	2,105,412
Interest Income	393,316	90,827	484,143
Other Revenue Sources	246,591	146,817	393,408
Total Revenues	15,101,159	5,464,391	20,565,550
Expenses			
General Government	1,760,753	-	1,760,753
Public Safety	7,400,539	-	7,400,539
Public Works	3,762,980	-	3,762,980
Building and Planning	441,905	-	441,905
Waterworks & Sewerage	-	4,034,203	4,034,203
Parking System	-	758,939	758,939
Recycling & Refuse	-	802,174	802,174
Interest on Long-Term Debt	509,489	-	509,489
Total Expenses	13,875,666	5,595,316	19,470,982
Increase (Decrease) in Net Assets Before Transfers	1,225,493	(130,925)	1,094,568
Transfers	(35,000)	35,000	-
Increase (Decrease) in Net Assets	1,190,493	(95,925)	1,094,568
Net Assets-Beginning	46,697,372	25,409,282	72,106,654
Net Assets-Ending	\$ 47,887,865	\$ 25,313,357	\$ 73,201,222

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Government Wide Financial Analysis (Continued)

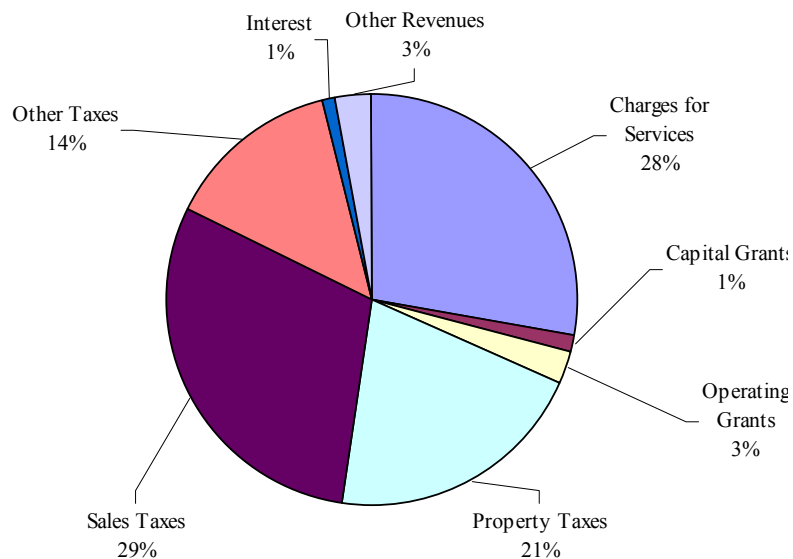
Net assets of Business-Type Activities decreased \$95,925 in 2003, from a beginning total of \$25,409,282 to an ending total of \$25,313,357. Net assets for Business-Type Activities included \$5,800,334 in unrestricted net assets, \$707,500 in restricted net assets, and \$18,805,523 in capital assets and infrastructure.

Total Village revenues (excluding special items) equaled \$20,565,550 and exceeded the total cost of all programs and services, which equaled \$19,470,982, by \$1,094,568. Because revenues exceeded the cost of all programs and services in 2003, Village Net Assets were increased by the \$1,094,568. A slight decrease of \$95,925 in the net assets of Business-Type Activities was more than offset by the increase of \$1,190,493 in the net assets of Governmental Activities.

Governmental Activities

Revenues for governmental activities (excluding special items) equaled \$15,101,159 in 2003 while the cost of all programs and services equaled \$13,875,666. The following graph depicts the major revenue sources for the Village.

Revenues by Source - Governmental Activities



The graph depicts very clearly the balanced nature of the revenue sources that fund Village governmental activities. As illustrated by the graph, three revenue sources, Charges for Services, Sales Tax, and Property Taxes each provide at least 20% of the revenue that supports Governmental Activities. In addition, Other Taxes provides 14% of

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Government Wide Financial Analysis (Continued)

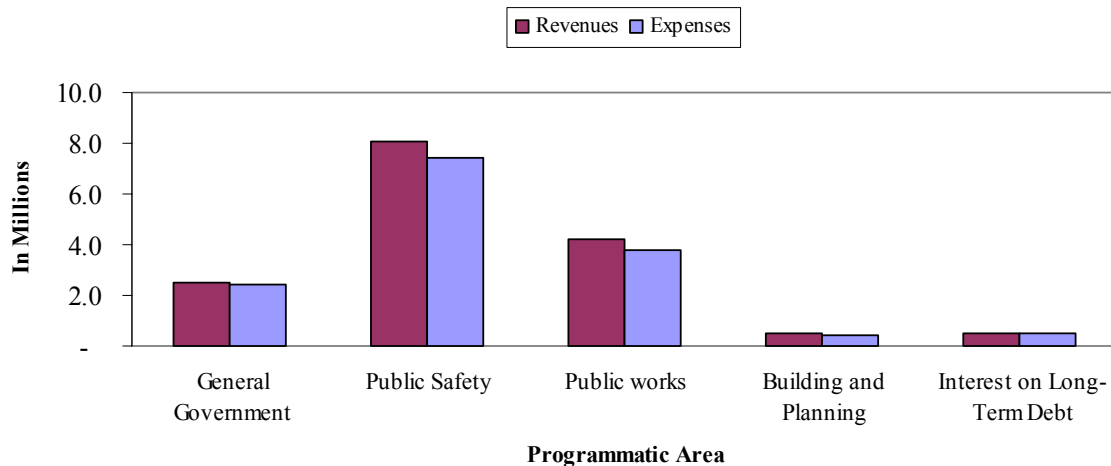
Governmental Activities (Continued)

Governmental Activities revenue. The balanced nature of Governmental Activities revenue sources is a source of resiliency for the

Village's financial condition as downturns in one revenue source are typically offset by increases in other sources.

The 'Program Revenues and Expenses' graph below identifies the various governmental functions and illustrates the relationship between the revenues supporting each function and the expenses associated with each function. As demonstrated in the table, for each of the five governmental functions revenues exceeded or equaled expenditures in 2003.

Program Revenues and Expenses - Governmental Activities



Business-type activities

Revenues supporting the Village's Business-Type Activities equaled \$5,464,391 in 2003 (excluding special items) while expenses for those activities equaled \$5,595,316. Because expenses for Business-Type Activities exceeded revenues by \$95,925, net assets of Business-Type Activities were less at the end of 2003 than they were at the beginning of the year.

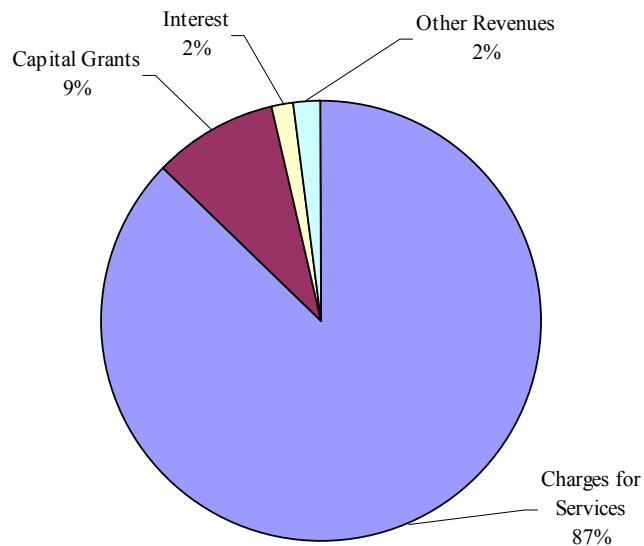
VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Government Wide Financial Analysis (Continued)

Business Type Activities (Continued)

Revenues by Source - Business-Type Activities



In terms of revenues by source, Business-Type Activities derive the majority of their revenues (87%) from Charges for Services. This is appropriate as these Village functions are similar to private sector entities in that they are expected to provide services to residents and charge a fee for those services in an amount that supports ongoing operations as well as the continuing capital investments necessary to maintain capital assets (i.e. Water and Sewer Systems, Parking Lots). Another significant source of revenue for the Village's Business Type Activities in 2003 was Connection Charges which are classified as Capital Grants according to GASB #34.

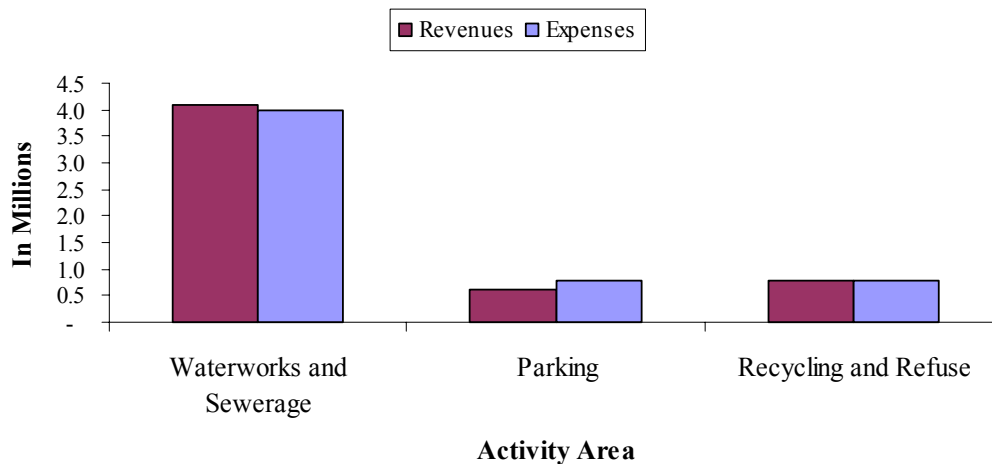
VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Government Wide Financial Analysis (Continued)

Business Type Activities (Continued)

Program Revenues and Expenses - Business-Type Activities



The above graph compares program revenues to expenses for waterworks and sewerage operations, parking operations, and recycling and refuse operations. Although when viewed as a whole, Business-Type Activities had a decrease in net assets of \$95,925, the 'Program Revenues and Expenses' graph illustrates that in reality only parking operations had expenses that exceeded supporting revenues. Revenues for waterworks and sewerage and recycling and refuse activities actually exceeded expenses (for recycling and refuse activities this is not clearly illustrated in the graph but an examination of the Statement of Revenues, Expenses, and Changes in Net Assets on Page 110 will verify the veracity of this statement).

Expenses for parking activities exceeded revenues in 2003 due to the completion of the construction of the Commuter Train Station and a delay in an increase in parking fees. The Village had accumulated a fund balance for the completion of the Train Station Renovation Project and the utilization of this fund balance to complete the project contributed to expenses exceeding revenues for Parking Activities in 2003. In addition, the leasing of the Train Station from METRA increased the operating costs in the Parking Activities Fund. The Village had planned to increase parking fees in conjunction with the increase in operating costs but chose to delay implementation of this increase to 2004 due to the impact that the construction of the train station was having on commuters.

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Financial Analysis of the Government's Funds

As noted earlier, the Village of Barrington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$14,328,625. Included in the total governmental fund balance is a negative fund balance of \$3,975,844 in the TIF Redevelopment Fund. This is an expected occurrence as the TIF Redevelopment Fund is in the first couple of years of its existence and will be repaying all or a portion of the amounts loaned to it by other Village Funds throughout its existence (ending in 2023 unless extended).

The Village's General Fund is used to account for the resources and expenses associated with those services generally associated with a municipal government such as police protection, fire suppression and prevention, street maintenance, forestry, property maintenance, building code enforcement, zoning code enforcement, and general administration.

The Capital Improvement Fund provides the resources needed for the major construction projects in the Village including street improvements, sidewalk installation, and the construction of bikeways. The TIF Redevelopment Fund is intended to encourage the redevelopment of the Village's Central Business District and provides resources for improvement of the infrastructure in the downtown as well as development projects. The Debt Service Fund is used to account for the revenues and expenditures necessary to service the Village's outstanding general obligation debt.

The General Fund and the Capital Improvement Fund had excesses of Revenues over Expenditures of \$347,508 and \$1,182,755 respectively. The Debt Service Fund and the TIF Redevelopment Fund had deficiencies of Revenues under Expenditures of \$127,796 and \$275,097, respectively. As detailed below, both of these deficits were planned for and anticipated by the Village in the 2003 Budget.

- In the Debt Service Fund, the Village had been abating a portion of the property taxes that were to be used to service debt payments and using transfers from the General Fund, representing ambulance fees collected from residents, to offset these abatements. Due to the economically difficult environment, it was decided in the 2003 Budget to forego future property tax abatements and discontinue the transfers from the

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Financial Analysis of the Government's Funds (Continued)

Governmental Funds (Continued)

General Fund to the Debt Service Fund that supported those abatements. The discontinuation of transfers was implemented in 2003. The 2002 transfer supported the partial abatement of debt service property taxes in the 2002 Tax Levy (which are collected in 2003) and the 2003 budget included the use of fund balance accumulated in the Debt Service Fund to offset the abatement.

- The TIF Redevelopment Fund had a deficit because the Village has established a policy of loaning the TIF Redevelopment Fund resources from the Capital Improvement Fund instead of issuing General Obligation Bonded Debt. This policy provides the TIF Redevelopment Fund with the resources needed to undertake appropriate redevelopment activities while also providing a decent rate of return to the Capital Improvement Fund and preventing the Village from having to issue additional debt.

Proprietary funds

The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Village reports the Waterworks and Sewerage Fund as a major proprietary fund. This fund accounts for all of the operations of the municipal water and sewer system. Water is produced from several wells located in the Village. After appropriate treatment, the water is then sold to all municipal customers and distributed through the Village's water main system. The Village sells water to municipal customers at rates that are intended to provide sufficient resources for current operations as well as necessary investments in the capital infrastructure supporting the water system. The wastewater system consists of the sanitary sewer main system for collection of wastewater and the wastewater treatment facility for the treatment and discharge of the collected wastewater. The wastewater system is also financed through charges for services.

The Village also reports the Motor Vehicle Parking System as a major proprietary fund. This fund accounts for the operations of the municipally owned commuter and central business district parking lots. The Fund is supported by revenues received from fare boxes, the sales of parking permits, and fines and forfeits for parking violations.

The Recycling and Refuse Fund is a non-major proprietary fund that is used by the Village to account for the resources and expenses associated with the collection and disposal of solid waste and recyclables.

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

General Fund Budgetary Highlights

Over the course of the fiscal year the Village Board revised the budget several times. The first budgetary change occurred towards the beginning of the fiscal year and involved re-appropriating resources for the completion of projects that were budgeted but not completed in the preceding fiscal year. The second budgetary change occurred in the middle of the fiscal year and was utilized by the Board to provide budgetary accounts for the resources and expenditures associated with the Memorial Park Project. This project is supported by donations and therefore does not utilize any Village financial resources. The third and fourth budget amendments were made toward the end of the fiscal year and were used to modify the Village's Compensation Plan and make a minor budgetary adjustment in the Debt Service Fund.

Capital Assets and Debt Administration

Capital Assets

The Village of Barrington's investment in capital assets for its governmental and business type activities as of December 31, 2003 was \$64,823,282 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, streets and related infrastructure, sidewalks, and bridges. The total increase in the Village's investment in capital assets for 2003 was \$1,001,892.

Table 3: Capital Assets - Net of Depreciation (in Millions)
Fiscal Year Ended, December 31, 2003

	Governmental Activities	Business-type Activities	Total
Land	\$ 13,555,978	\$ 1,126,408	\$ 14,682,386
Buildings	11,278,427	-	11,278,427
Vehicles & Equipment	665,067	-	665,067
Infrastructure	14,245,384	23,952,018	38,197,402
Total	\$ 39,744,856	\$ 25,078,426	\$ 64,823,282

Major additions undertaken in 2003 included (in millions):

Wastewater Treatment Facility Improvements, paid for with proceeds from the IEPA loan of 2003	\$ 921,890
Acquisition of new 5-ton Dump and Snow Plow Truck	80,002
	<u>\$ 1,001,892</u>

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

The fiscal year 2003 construction and equipment budgets included \$1,240,000 for those projects that were capitalized in 2003, principally for the completion of renovation and improvements to the Wastewater Treatment Facility. In the 2004 budget, the Village has no plans to issue additional debt; rather, resources on hand in the Capital Improvement Fund and the enterprise funds will be used to finance capital projects. Additional information on the Village's capital assets can be found in Note 3 on pages 51 - 53 of this report.

Debt Administration

On December 31, 2003, the Village had four General Obligation debt issues outstanding. The first was the \$900,000 Installment Contract of 1997 with a remaining balance of \$410,000, proceeds from which were used to fund the purchase of land on Northwest Highway for the Public Safety Building. The second debt issue is the \$5,000,000 General Obligation Bonds issue, Series 1998 with a Moody's rating of Aa3 and a remaining balance of \$4,075,000, proceeds from which were used towards the construction of the new Village Hall and Public Safety Building. The third issue is the \$5,895,000 General Obligations Bonds issue, Series 1999 with a remaining balance of \$4,885,000 with a Moody's rating of Aa3 and a Moody's FSA insured rating for the 2010 through 2018 maturities of Aaa, proceeds from which were used towards the construction of the new Village Hall and Public Safety Building and the advance refunding of the 1992 General Obligation Refunding Bonds issue. The fourth debt issue is the \$2,600,000 General Obligation Waterworks and Sewerage Alternate Revenue Source Bonds, Series of 1999B with a remaining balance of \$2,125,000 with a Moody's rating of Aa3, proceeds from which were used towards improvements to the water and wastewater systems. In addition, the Village has also taken advantage of low interest loans from the Illinois Environmental Protection Agency and therefore owed the agency \$4,147,903. The following table (Table 4) illustrates the Village's outstanding debt.

**Table 4: Installment Contract, General Obligation Bonds, Revenue Bonds, and IEPA Loans
Fiscal Year Ended, December 31, 2003**

	Governmental Activities	Business-type Activities	Total
Installment Contract	\$ 410,000	\$ -	\$ 410,000
General Obligation Bonds	8,960,000	-	8,960,000
Alternate Revenue Bond	-	2,125,000	2,125,000
IEPA Loans	-	4,147,903	4,147,903
Total	\$ 9,370,000	\$ 6,272,903	\$ 15,642,903

VILLAGE OF BARRINGTON, ILLINOIS

Management's Discussion and Analysis December 31, 2003

Capital Assets and Debt Administration (Continued)

Debt Administration (Continued)

In 2003, the Village incurred additional debt related to the continuing effort to upgrade its water and sewer systems. The debt incurred in 2003 was in the form of additional IEPA loans, \$775,000 was incurred for the construction of the Iron Removal Facility for the Village's water system and \$829,700 was incurred for the renovation and upgrading of the Wastewater Treatment Facility.

Under current state statutes, the Village's general obligation bonded debt issuances are subject to a legal limitation as illustrated in the following table on the following page.

<u>Legal Debt Margin</u>	
2002 Equalized Assessed Valuation	457,681,703
Legal Limitation	8.625%
Legal Debt Limit	39,475,047
Current Amount of Debt Applicable to Limit	11,495,000
Ratio of General Obligation Debt Per Capita ⁽¹⁾	\$1,093.58

(1) There is an additional \$375,522 in the Debt Service Fund available for paying long-term debt obligations. This amount was subtracted from the \$11,495,000 in this calculation.

As shown in the above table, the Village's gross general obligation bonded debt is below the legal limit authorized under state statutes. Additional information on the Village's long-term debt can be found in Note 3 on pages 55 – 62 of this report.

Economic Factors and Next Year's Budget

The Village's elected and appointed officials considered many factors when setting the fiscal-year 2004 budget and the associated property tax rates and charges for services. One of those factors is the economy. As discussed in the Transmittal Letter (Pages i - x), the Village is continuing to recover from a reduction in revenues due to the economic downturn during 2001 and 2002. This recovery is producing an austere fiscal environment and the Village has adjusted its 2004 budget appropriately in order to maintain its financial condition.

Despite the cyclical challenges posed by the economic environment in 2001 and 2002, the Village maintains solid underlying demographic and economic characteristics. As discussed in the transmittal letter, Village residents have a high median income and

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property values in the Village for residential, commercial, and retail properties continue to increase. In addition, the Village's sales tax base remains stable due to the presence of several automobile dealers including one that specializes in high retail luxury vehicles. In addition, several residential and commercial developments are expected to begin in 2004 and these developments should provide solid growth in the future for both the Village's property tax and sales tax base.

The Village has taken these factors into account for the 2004 Budget. The total appropriated original budget across all Funds for 2004 was equal to \$27,207,605. However, this original budget included funding of approximately \$4,000,000 in the TIF Redevelopment Fund for projects that will no longer be occurring and therefore these funds will not be expended. In addition, the original General Fund Budget of \$12,518,472 has been reduced by approximately \$600,000 with another \$400,000 put into reserve accounts and therefore will not be expended. By modifying the original 2004 budget through the amendment process, the Village will maintain fiscal discipline in 2004 and be able to begin the 2005 – 2006 biennial budget in a sound financial condition.

Requests for Information

This financial report is designed to provide a general overview of the Village of Barrington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Administrative Services Department, Village of Barrington, 200 South Hough Street, Barrington, Illinois, 60010.